

VILLAGE OF SARANAC

FINANCIAL STATEMENTS

FEBRUARY 29, 2008

**KARL L. DRAKE
CERTIFIED PUBLIC ACCOUNTANT**

VILLAGE OF SARANAC

VILLAGE OF SARANAC

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Saranac
Saranac, Michigan 48881

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Village of Saranac, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Saranac's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of Saranac as of February 29, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2008, on our consideration of the Village of Saranac's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Village Council
Village of Saranac

The administration's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 26 through 29 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Saranac's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

May 30, 2008

This section of the Village of Saranac's annual financial report presents discussion and analysis of the Village's financial performance during the fiscal year ended February 29, 2008. It is best read in conjunction with the Village's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Village of Saranac financially and the two types of statements present different views of the Village. The government-wide statements reflect information about the activities of the entire Village, presenting an aggregate view and a longer-term view of the Village's overall financial status. The fund financial statements focus on individual components of Village government, reporting the Village's operations in more detail and demonstrating how services were financed in the short term.

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Village as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenue and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Village's net assets - the difference between assets and liabilities - as one way to measure the Village's financial health or position. Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Village, additional non-financial factors such as changes in the Village's property tax base and the condition of the Village's streets need to be considered.

The government-wide financial statements of the Village are divided into two categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as public works, parks and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - Operation and maintenance of the water system and sanitary sewer system is included here. The Village charges fees to customers to cover the costs of providing these services.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds, not the Village as a whole. The Village Council establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Village currently has two types of funds:

Governmental funds - Most of the Village's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Village that helps determine whether there are more or fewer resources that can be spent in the near future to finance the Village's programs. The relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation.

Proprietary funds - Services for which the Village charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Village's enterprise fund, the Water and Sewer Fund, is a type of proprietary fund.

The Village as a Whole

The statement of net assets presents the perspective of the Village as a whole. Table 1 provides a summary of the Village's net assets as of February 29, 2008, in thousands of dollars. Since no audit was performed in 2006-07, no comparative information is presented.

	Governmental Activities	Business-Type Activities	Total
TABLE 1			
ASSETS			
Current and Other Assets	\$ 983.3	\$ 706.0	\$ 1,689.3
Capital Assets	2,900.1	3,210.6	6,110.7
TOTAL ASSETS	3,883.4	3,916.6	7,800.0
LIABILITIES			
Current Liabilities	19.2	93.9	113.1
Long-Term Liabilities	4.6	1,340.0	1,344.6
TOTAL LIABILITIES	23.8	1,433.9	1,457.7
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,900.1	1,801.1	4,701.2
Restricted	---	---	---
Unrestricted	959.4	681.7	1,641.1
TOTAL NET ASSETS	\$ 3,859.50	\$ 2,482.8	\$ 6,342.3

VILLAGE OF SARANAC

Management's Discussion and Analysis

The Village as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

The Village's combined net assets were \$6.3 million at February 29, 2008. Capital assets (net of related debt) totaling \$4.7 million compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. The \$1,641,084 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current fiscal year, and the change in net assets (in thousands of dollars), as reported in the statement of activities. No comparative information is presented.

TABLE 2	Governmental Activities	Business-Type Activities	Total
REVENUE			
Program Revenue			
Charges for services	\$ 115.3	\$ 471.5	\$ 586.8
General Revenue			
Property taxes	300.8	---	300.8
Federal Grants	---	---	---
State entitlements	239.6	---	239.6
Interest earnings	35.1	28.9	64.0
Other	76.5	---	76.5
TOTAL REVENUE	767.3	500.4	1,267.7
EXPENSES			
General Government	95.2	---	95.2
Public Safety	157.5	---	157.5
Public Works	288.5	---	288.5
Recreation	38.4	---	38.4
Interest On Long Term Debt	---	---	---
Depreciation (Unallocated)	208.1	---	208.1
Proprietary Fund Expenses	---	430.1	430.1
TOTAL EXPENSES	787.7	430.1	1,217.8
CHANGE IN NET ASSETS	\$ -20.4	\$ 70.3	\$ 49.9

Governmental Activities

The governmental activities experienced a decrease in net assets of \$20,405. The primary reason was the reconstruction of Fuller Street, which was funded by the General Fund.

Business-Type Activities

The Village's business-type activity consists of the Water and Sewer Fund. This fund experienced an increase in net assets of \$70,339. This increase was primarily caused by raising water and sewer user charges to adequately protect the assets of the Water and Sewer Fund.

The Village's Funds

Analysis of the Village's major funds follows the government-wide financial statements. As noted earlier, the Village creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Village's major governmental funds are the General Fund, the Major Streets Fund, and the Local Streets Fund.

The General Fund pays for most of the Village's governmental services and supports capital improvements in the street funds. The General Fund is supported mainly by property taxes and state shared revenue, while the Street Funds are financed by the state gas and weight tax and transfers from the General Fund. At the conclusion of this year, the governmental funds reported a combined fund balance of \$884,012, which is an increase of \$80,054 from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the Village normally amends the budget in response to changing events. In this past fiscal year, no budget amendments were made.

VILLAGE OF SARANAC

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the 2007-08 fiscal year, the Village managed capital assets valued at approximately \$6.1 million including property, buildings, streets, drains, equipment, and water and sewer lines.

Capital Assets Net of Accumulated Depreciation (dollars are in thousands)						
	Governmental Activities		Business-Type Activities		Totals	
	2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
Non-Depreciable Assets						
Land	\$ 404.8	\$ 404.8	\$ ---	\$ ---	\$ 404.8	\$ 404.8
Depreciable Assets						
Buildings	65.8	62.1	---	---	65.8	62.1
Equipment/Vehicles	214.5	239.7	---	---	214.5	239.7
Fire Department Equipment/Vehicles	363.7	395.5	---	---	363.7	395.5
Infrastructure	1,851.1	1,901.2	3,210.6	1,768.0	5,061.7	3,669.2
Total	\$ 2,899.9	\$ 3,003.3	\$ 3,210.6	\$ 1,768.0	\$ 6,110.5	\$ 4,771.3

At year-end, the Village had \$1,400,000 in long-term bonds payable. Employee compensated absences account for the remainder of the Village's long-term debt.

Economic Factors and Next Year's Budgets and Rates

In preparing the 2008-09 budget, the Village expects similar activity levels to 2007-08. State shared revenue has been consistently declining in recent years, and this trend is expected to continue. Other revenue is expected to be consistent to 2007-08 totals.

Contacting the Village's Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Office, 10 S. Bridge Street, Saranac, MI 48881.

BASIC FINANCIAL STATEMENTS

VILLAGE OF SARANAC

Government-Wide Financial Statements

STATEMENT OF NET ASSETS

FEBRUARY 29, 2008

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Investments	\$ 921,888	\$ 628,637	\$ 1,550,525
Due From Other Governmental Units	---	---	---
Accounts Receivable	61,418	77,441	138,859
Prepaid Expenditures	---	---	---
Inventory	---	---	---
Total Current Assets	983,306	706,078	1,689,384
Non-Current Assets			
Capital Assets	4,638,628	4,232,996	8,871,624
Less: Accumulated Depreciation	-1,738,518	-1,022,396	-2,760,914
Total Non-Current Assets	2,900,110	3,210,600	6,110,710
TOTAL ASSETS	\$ 3,883,416	\$ 3,916,678	\$ 7,800,094
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 19,240	\$ 24,405	\$ 43,645
Accrued Interest	---	9,479	9,479
Notes and Bonds Payable, Due within One Year	---	60,000	60,000
Total Current Liabilities	19,240	93,884	113,124
Non-Current Liabilities			
Deferred Revenue	---	---	---
Notes and Bonds Payable	---	1,340,000	1,340,000
Compensated Absences	4,655	---	4,655
Total Non-Current Liabilities	4,655	1,340,000	1,344,655
TOTAL LIABILITIES	23,895	1,433,884	1,457,779
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for Capital Projects	2,900,110	1,801,121	4,701,231
Restricted for Debt Service	---	---	---
Unrestricted	959,411	681,673	1,641,084
TOTAL NET ASSETS	3,859,521	2,482,794	6,342,315
TOTAL LIABILITIES AND NET ASSETS	\$ 3,883,416	\$ 3,916,678	\$ 7,800,094

See Accompanying Notes to Financial Statements

STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2008

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	
	Expenses					
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 95,224	\$ ---	\$ ---	\$ -95,224	\$ ---	\$ -95,224
Public Safety	157,518	115,350	---	-42,168	---	-42,168
Public Works	288,536	---	---	-288,536	---	-288,536
Recreational and Cultural	38,435	---	---	-38,435	---	-38,435
Interest on Long-Term Debt	---	---	---	---	---	---
Depreciation (Unallocated)	208,125	---	---	-208,125	---	-208,125
Total Governmental Activities	787,838	115,350	---	-672,488	---	-672,488
Business-Type Activities	430,072	471,483	---	---	41,411	41,411
Total Activities	\$ 1,217,910	\$ 586,833	\$ ---	\$ -672,488	\$ 41,411	\$ -631,077
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 300,799	\$ ---	\$ 300,799
Property Taxes, Levied for Debt Service				---	---	---
Federal Grants						
State of Michigan Aid, Unrestricted				239,599	---	239,599
Interest Earnings				35,149	28,928	64,077
Transfer In <Out>				---	---	---
Other				76,536	---	76,536
Total General Revenue				652,083	28,928	681,011
CHANGE IN NET ASSETS				-20,405	70,339	49,934
NET ASSETS - BEGINNING OF YEAR				3,879,926	2,412,455	6,292,381
NET ASSETS - END OF YEAR				\$ 3,859,521	\$ 2,482,794	\$ 6,342,315

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

Fund Financial Statements

BALANCE SHEET - GOVERNMENTAL FUNDS

FEBRUARY 29, 2008

	General	Major Streets	Local Streets	Other Non-Major	Total Governmental Funds
ASSETS					
Cash	\$ 872,863	\$ 37,750	\$ 5,694	\$ 5,581	\$ 921,888
Accounts Receivable	35,903	1,110	---	---	37,013
Due from Other Governmental Units	---	---	---	---	---
Due from Other Funds	58,278	22,354	16,000	---	96,632
Prepaid Expenditures	---	---	---	---	---
Inventory	---	---	---	---	---
TOTAL ASSETS	\$ 967,044	\$ 61,214	\$ 21,694	\$ 5,581	\$ 1,055,533
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 10,018	\$ 1,097	\$ 6,925	\$ 1,200	\$ 19,240
Due to Other Funds	38,354	22,069	11,804	---	72,227
Deferred Revenue	---	---	---	---	---
TOTAL LIABILITIES	48,372	23,166	18,729	1,200	91,467
FUND BALANCES					
Reserved for Capital Projects	---	---	---	---	---
Reserved for Debt Service	---	---	---	---	---
Unreserved, Designated	16,838	---	---	---	16,838
Unreserved and Undesignated	901,834	38,048	2,965	4,381	947,228
TOTAL FUND BALANCES	918,672	38,048	2,965	4,381	964,066
TOTAL LIABILITIES AND FUND BALANCES	\$ 967,044	\$ 61,214	\$ 21,694	\$ 5,581	\$ 1,055,533
TOTAL GOVERNMENTAL FUND BALANCES					\$ 964,066
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:					
Cost of the Capital Assets					4,638,628
Accumulated Depreciation					<u>-1,738,518</u>
					2,900,110
Long-term Liabilities are not due and payable in the current period and are not reported in the fund:					
Bonds and Loans Payable					---
Compensated Absences					-4,655
Accrued interest is not included as a liability in governmental funds					<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES					\$ 3,859,521

See Accompanying Notes to Financial Statements.

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED FEBRUARY 29, 2008

	General	Major Streets	Local Streets	Other Non-Major	Totals
REVENUE					
Property Taxes	\$ 243,691	\$ 28,554	\$ 28,554	\$ ---	\$ 300,799
Federal Revenue	---	---	---	---	---
State Revenue	146,350	71,230	22,019	---	239,599
Inter-Governmental Revenue	---	---	---	73,743	73,743
Charges for Services	41,607	---	---	---	41,607
Interest	33,422	371	84	1,272	35,149
Other	76,536	---	---	---	76,536
TOTAL REVENUE	541,606	100,155	50,657	75,015	767,433
EXPENDITURES					
General Government	98,097	---	---	---	98,097
Public Safety	90,061	---	---	67,457	157,518
Public Works	71,696	120,030	181,265	---	372,991
Recreational and Cultural	38,435	---	---	---	38,435
Debt Service	---	---	---	---	---
Capital Outlay	7,829	---	---	12,509	20,338
TOTAL EXPENDITURES	306,118	120,030	181,265	79,966	687,379
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	235,488	-19,875	-130,608	-4,951	80,054
OTHER FINANCING SOURCES <USES>					
Bond Proceeds	---	---	---	---	---
Operating Transfers In	---	20,000	131,000	---	151,000
Operating Transfers Out	-151,000	---	---	---	-151,000
TOTAL OTHER FINANCING SOURCES <USES>	-151,000	20,000	131,000	---	---
NET CHANGE IN FUND BALANCES	84,488	125	392	-4,951	80,054
FUND BALANCES - BEGINNING OF YEAR	834,184	37,923	2,573	9,332	884,012
FUND BALANCES - END OF YEAR	\$ 918,672	\$ 38,048	\$ 2,965	\$ 4,381	\$ 964,066

See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

Fund Financial Statements

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 29, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 80,054**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-208,125	
Capital Outlay	<u>104,793</u>	
		-103,332

- Governmental funds report bond proceeds as revenue. In the statement of activities these costs are not reported. They are included as liabilities in the statement of net assets.

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.

- Repayments of note and bond principal are an expenditure in the governmental fund, but not in the statement of activities (where it reduces long-term debt).

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds.

2,873

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ -20,405

STATEMENT OF NET ASSETS

FEBRUARY 29, 2008

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 628,637
Accounts Receivable	77,441
Due from Other Funds	---

Total Current Assets	<u>706,078</u>
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Non-Current Assets

Capital Assets	<u>3,210,600</u>
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TOTAL ASSETS	<u>\$ 3,916,678</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ ---
Accrued Interest	9,479
Due to Other Funds	24,405
Current Portion of Bonds Payable	<u>60,000</u>

Total Current Liabilities	<u>93,884</u>
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Long-Term Liabilities

Deferred Revenue	---
Bonds Payable - Net of Current Portion	<u>1,340,000</u>

Total Long-Term Liabilities	<u>1,340,000</u>
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TOTAL LIABILITIES	<u>1,433,884</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	1,801,121
Restricted for Debt Service	---
Unrestricted	<u>681,673</u>

TOTAL NET ASSETS	<u>\$ 2,482,794</u>
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See Accompanying Notes to Financial Statements.

VILLAGE OF SARANAC

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

YEAR ENDED FEBRUARY 29, 2008

OPERATING REVENUE

Charges for Services	<u>\$ 471,483</u>
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OPERATING EXPENSES

Wages and Benefits	73,212
Printing/Publishing	50
Operating Supplies	10,427
Contractual Services	24,583
Interfund Equipment Rental	10,280
Repairs and Maintenance	3,858
Utilities	30,843
Insurance	33,014
Depreciation	231,183
Miscellaneous	<u>960</u>

TOTAL OPERATING EXPENSES	<u>418,410</u>
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OPERATING INCOME	53,073
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NON-OPERATING REVENUE <EXPENSES>

Transfer In <Out>	---
Interest Revenue	28,928
Interest and Fees Expense	<u>-11,662</u>

TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>17,266</u>
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CHANGE IN NET ASSETS	70,339
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NET ASSETS - BEGINNING	<u>2,412,455</u>
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NET ASSETS - ENDING	<u><u>\$ 2,482,794</u></u>
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See Accompanying Notes to Financial Statements.

STATEMENT OF CASH FLOW

YEAR ENDED FEBRUARY 29, 2008

CASH FLOW FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 466,676
Cash Payments for Goods and Services	-114,016
Cash Payments to Employees	-73,212

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>279,448</u>
--	-----------------------

CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES

Decrease <Increase> in Grants Receivable	26,728
Transfer In <Out>	---
Increase <Decrease> in Due to Other Funds	-5,346

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>21,382</u>
---	----------------------

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Bonds Issued	1,400,000
Principal Payments	---
Interest Paid	-2,183

NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>1,397,817</u>
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CASH FLOW FROM INVESTING ACTIVITIES

Receipts of Interest and Dividends	28,928
Sale of Assets	---
Purchase of Assets	-1,673,742

NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	<u>-1,644,814</u>
---	--------------------------

NET INCREASE IN CASH	53,833
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CASH - BEGINNING OF YEAR	<u>574,804</u>
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CASH - END OF YEAR	<u>\$ 628,637</u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income <Loss>	53,073
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	231,183
Decrease <Increase> in Accounts Receivable	-4,808
Increase <Decrease> in Accounts Payable	---

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 279,448</u>
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See Accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Village of Saranac is a general law village located in Ionia County, Michigan. The Village operates under an elected council consisting of seven members and provides various services to its 1,326 residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds maintained by the Village are the Major Streets Fund, Local Streets Fund and Fire Fund.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

B. BASIS OF PRESENTATION (CONTINUED)

Fund Based Statements (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1, of the subsequent year. Taxes are due and payable as of September 15. The property tax revenue in the accompanying financial statements was recognized as that levied during the year.

All unpaid taxes become delinquent after September 15, at which time the uncollected real taxes are returned to Ionia County for collection and to be added to the delinquent tax rolls. The County of Ionia purchases delinquent real property taxes of the Village of Saranac. The County sells tax notes, the proceeds of which are used to pay the Village for the taxes.

The Village is authorized to assess 12.5 mills for general operations and 5.5 mills for streets. Millage rates levied for 2007 were 10.43210 mills for operations and 2.50000 mills for streets. Total taxable value of real and personal property in the Village was \$22,843,918.

The Village is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Village considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Village does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	15-50 years
Vehicles	5-10 years
Other equipment	5-20 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. LONG-TERM OBLIGATIONS (CONTINUED)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. RISK MANAGEMENT

The Village is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

M. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Legal Or Contractual Provisions For Deposits And Investments

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Village, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Legal Or Contractual Provisions For Deposits And Investments (Continued)

2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village is in compliance with State law regarding their cash deposits.

The Village maintains its cash deposits at one bank and one credit union.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC or NCUA)	\$ 200,000	\$ 200,000
Uninsured & Uncollateralized	1,350,525	1,357,470
Total Deposits	<u>\$ 1,550,525</u>	<u>\$ 1,557,470</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

NOTE 3 - ACCUMULATED FUND DEFICITS

There were no accumulated fund deficits at February 29, 2008.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at February 29, 2008, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	\$ 6,004	Water Fund	\$ 6,004
General Fund	18,401	Sewer Fund	18,401
General Fund	22,069	Major Street Fund	22,069
General Fund	11,804	Local Street Fund	11,804
Major Street Fund	22,354	General Fund	22,354
Local Street Fund	<u>16,000</u>	General Fund	<u>16,000</u>
	<u>\$ 96,632</u>		<u>\$ 96,632</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Village's Governmental activities was as follows:

	Balance March 1, 2007	Additions	Disposals and Adjustments	Balance February 29, 2008
Assets not being depreciated:				
Land	\$ 404,881	\$ ---	\$ ---	\$ 404,881
Capital assets being depreciated:				
Buildings	172,168	7,829	---	179,997
Equipment/Vehicles	367,633	---	7,200	360,433
Fire Department Equipment/Vehicles	711,918	---	---	711,918
Infrastructure	<u>2,884,435</u>	<u>96,964</u>	<u>---</u>	<u>2,981,399</u>
Subtotal	<u>4,136,154</u>	<u>104,793</u>	<u>7,200</u>	<u>4,233,747</u>
Accumulated depreciation:				
Buildings	110,082	4,062	---	114,144
Equipment/Vehicles	127,904	25,201	7,200	145,905
Fire Department Equipment/Vehicles	316,391	31,812	---	348,203
Infrastructure	<u>983,216</u>	<u>147,050</u>	<u>---</u>	<u>1,130,266</u>
Subtotal	<u>1,537,593</u>	<u>208,125</u>	<u>7,200</u>	<u>1,738,518</u>
Net capital assets being depreciated	<u>2,598,561</u>	<u>-103,332</u>	<u>---</u>	<u>2,495,229</u>
Net capital assets	<u>\$ 3,003,442</u>	<u>\$ -103,332</u>	<u>\$ ---</u>	<u>\$ 2,900,110</u>

Depreciation expense was not charged to activities as the Village considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Village's business-type activities was as follows:

	Balance March 1, 2007	Additions	Disposals and Adjustments	Balance February 29, 2008
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Water System	1,932,321	---	---	1,932,321
Sewer System	917,216	1,673,742	290,283	2,300,675
Subtotal	2,849,537	1,673,742	290,283	4,232,996
Accumulated depreciation:				
Water System	732,585	87,427	---	820,012
Sewer System	348,912	143,755	290,283	202,384
Subtotal	1,081,497	231,182	290,283	1,022,396
Net capital assets being depreciated	1,768,040	1,442,560	---	3,210,600
Net capital assets	\$ 1,768,040	\$ 1,442,560	\$ ---	\$ 3,210,600

NOTE 6 - ACCUMULATED PERSONAL AND VACATION PAY

Village employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. The amount accrued at the end of the year totaled \$4,655, and is included in Long-Term Debt.

NOTE 7 - RETIREMENT PLAN

The Village has established a defined contribution pension plan. The Village contributes 6% of gross pay into individual retirement accounts for all employees who work at least 30 hours per week. Total contributions for the year ended February 29, 2008 were \$11,473 based on qualifying wages of \$191,216. Total Village wages were \$199,868.

NOTE 8 - RELATED PARTY ACTIVITY

There was no related party activity in the year ended February 29, 2008.

NOTE 9 - BUDGETARY ACCOUNTING

During the year ended February 29, 2008, the Village incurred expenditures that were in excess of the amounts appropriated in the following:

	Budget	Actual	Excess
GENERAL			
Parks and Recreation	\$ 33,700	\$ 38,435	\$ 4,735

NOTE 10 - FUND BALANCE

Components of Fund Balance at February 29, 2008, are as follows:

- \$16,838 of fund balance in the General Fund is restricted. This amount represents money collected for future construction of a tennis court.

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Village maintains one Enterprise Fund providing water and sewer services. Segment information for the year ended February 29, 2008, is as follows:

Operating Revenue	\$ 471,483
Operating Expenses Before Depreciation	187,227
Depreciation	231,183
Operating Income <Loss>	53,073
Net Earnings <Loss>	70,339
Total Assets	3,916,678
Long-Term Debt--Payable From Operating Revenue	1,400,000
Total Net Assets	2,482,794

NOTE 12 - WATER AND SEWER FUND

Internal records are separately maintained for the water department and the sewer department. On September 5, 2001, the water department borrowed \$300,000 from the sewer department to complete water tower construction. Interest is charged on this loan at 4.5%, and it is being repaid over 30 years with monthly payments of \$1,512.65. Total interest income for the sewer department was \$11,497, related to this loan. The outstanding balance at February 29, 2008, was \$264,592. This note is not reflected as a receivable or a payable in this financial statement, because it is an internal transaction.

NOTE 13 - LONG-TERM DEBT

On March 29, 2007, the Village issued Act 94 Sewage Disposal System Revenue Bonds totaling \$1,400,000, for expansion of the sewage disposal system. These bonds bear interest at 1.625%, and are payable as follows:

Year	April 1 Principal	April 1 Interest	October 1 Interest	Total
2008	\$ 60,000	\$ 11,375	\$ 10,888	\$ 82,263
2009	60,000	10,888	10,400	81,288
2010	60,000	10,400	9,913	80,313
2011	65,000	9,913	9,384	84,297
2012	65,000	9,384	8,856	83,240
2013	65,000	8,856	8,328	82,184
2014	65,000	8,328	7,800	81,128
2015	65,000	7,800	7,272	80,072
2016	70,000	7,272	6,703	83,975
2017	70,000	6,703	6,134	82,837
2018	70,000	6,134	5,566	81,700
2019	70,000	5,566	4,997	80,563
2020	75,000	4,997	4,388	84,385
2021	75,000	4,388	3,778	83,166
2022	75,000	3,778	3,169	81,947
2023	75,000	3,169	2,559	80,728
2024	75,000	2,559	1,950	79,509
2025	80,000	1,950	1,300	83,250
2026	80,000	1,300	650	81,950
2027	80,000	650	---	80,650
	<u>\$ 1,400,000</u>	<u>\$ 125,410</u>	<u>\$ 114,035</u>	<u>\$ 1,639,445</u>

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule**GENERAL FUND****YEAR ENDED FEBRUARY 29, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 230,500	\$ 230,500	\$ 243,691	\$ 13,191
Federal Grants	---	---	---	---
State Grants	146,300	146,300	146,350	50
Charges for Services	38,000	38,000	41,607	3,607
Interest	19,000	19,000	33,422	14,422
Other	58,400	58,400	76,536	18,136
Transfers In	---	---	---	---
TOTAL REVENUE	492,200	492,200	541,606	49,406
EXPENDITURES				
General Government	105,850	105,850	98,097	7,753
Public Safety	95,180	95,180	90,061	5,119
Public Works	74,000	74,000	71,696	2,304
Recreation and Cultural	33,700	33,700	38,435	-4,735
Debt Service	---	---	---	---
Capital Outlay	40,000	40,000	7,829	32,171
Other Uses - Operating Transfers Out	175,075	175,075	151,000	24,075
TOTAL EXPENDITURES	523,805	523,805	457,118	66,687
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-31,605	-31,605	84,488	116,093
BUDGETARY FUND BALANCE - MARCH 1, 2007	834,184	834,184	834,184	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 802,579	\$ 802,579	\$ 918,672	\$ 116,093

VILLAGE OF SARANAC

MAJOR STREETS

YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 27,000	\$ 27,000	\$ 28,554	\$ 1,554
Federal Grants	---	---	---	---
State Grants	70,000	70,000	71,230	1,230
Charges for Services	---	---	---	---
Interest	75	75	371	296
Other	---	---	---	---
Transfers In	---	---	20,000	20,000
TOTAL REVENUE	97,075	97,075	120,155	23,080
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	123,175	123,175	120,030	3,145
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	123,175	123,175	120,030	3,145
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-26,100	-26,100	125	26,225
BUDGETARY FUND BALANCE - MARCH 1, 2007	37,923	37,923	37,923	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 11,823	\$ 11,823	\$ 38,048	\$ 26,225

Budgetary Comparison Schedule**LOCAL STREETS****YEAR ENDED FEBRUARY 29, 2008**

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 27,000	\$ 27,000	\$ 28,554	\$ 1,554
Federal Grants	---	---	---	---
State Grants	21,000	21,000	22,019	1,019
Charges for Services	---	---	---	---
Interest	75	75	84	9
Other	---	---	---	---
Transfers In	175,075	175,075	131,000	-44,075
TOTAL REVENUE	223,150	223,150	181,657	-41,493
EXPENDITURES				
General Government	---	---	---	---
Public Safety	---	---	---	---
Public Works	223,150	223,150	181,265	41,885
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	---	---
TOTAL EXPENDITURES	223,150	223,150	181,265	41,885
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	---	---	392	392
BUDGETARY FUND BALANCE - MARCH 1, 2007	2,573	2,573	2,573	---
BUDGETARY FUND BALANCE - FEBRUARY 29, 2008	\$ 2,573	\$ 2,573	\$ 2,965	\$ 392

VILLAGE OF SARANAC

OTHER SUPPLEMENTAL INFORMATION

BALANCE SHEET**FEBRUARY 29, 2008****ASSETS**

Cash	\$ 872,863
Receivables	
Taxes	15,542
Other	20,361
Due from Other Funds	<u>58,278</u>

TOTAL ASSETS	<u><u>\$ 967,044</u></u>
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LIABILITIES AND FUND BALANCE**LIABILITIES**

Accounts Payable	\$ 8,215
Payroll Taxes Payable	1,803
Due to Other Funds	<u>38,354</u>

TOTAL LIABILITIES	<u>48,372</u>
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FUND BALANCE

Unreserved: Designated	16,838
Undesignated	<u>901,834</u>

TOTAL FUND BALANCE	<u>918,672</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 967,044</u></u>
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VILLAGE OF SARANAC

General Fund

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
REVENUE			
Taxes	\$ 230,500	\$ 243,691	\$ 13,191
Licenses and Permits	500	303	-197
Federal Grants	---	---	---
State Grants	146,300	146,350	50
Charges for Services	38,000	41,607	3,607
Miscellaneous	76,400	108,684	32,284
Reimbursement and Refunds	500	971	471
TOTAL REVENUE	492,200	541,606	49,406
EXPENDITURES			
General Government	105,850	98,097	7,753
Public Safety	95,180	90,061	5,119
Public Works	74,000	71,696	2,304
Parks and Recreation	33,700	38,435	-4,735
Capital Outlay	40,000	7,829	32,171
TOTAL EXPENDITURES	348,730	306,118	42,612
EXCESS OF REVENUE OVER EXPENDITURES	143,470	235,488	92,018
TRANSFERS IN	---	---	---
TRANSFERS <OUT>	-175,075	-151,000	24,075
TRANSFERS TO OTHER GOVERNMENTS	---	---	---
FUND BALANCE - BEGINNING OF YEAR	834,184	834,184	---
FUND BALANCE - END OF YEAR	\$ 802,579	\$ 918,672	\$ 116,093

STATEMENT OF REVENUE - COMPARED TO BUDGET

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
TAXES			
Current Taxes - Property	\$ 225,000	\$ 238,307	\$ 13,307
In Lieu of Tax	4,500	4,457	-43
Property Tax Penalty/Interest	1,000	927	-73
TOTAL TAXES	230,500	243,691	13,191
LICENSES AND PERMITS			
Zoning Permits	500	303	-197
STATE GRANTS			
State Shared Revenue	145,000	144,930	-70
Liquor License	1,300	1,420	120
DNR Revenue	---	---	---
TOTAL STATE GRANTS	146,300	146,350	50
CHARGES FOR SERVICES			
Usage Charges	38,000	41,607	3,607
MISCELLANEOUS			
Sale of GV Tags	---	129	129
Ordinance Fines	750	1,158	408
Interest	19,000	33,422	14,422
Other Income	4,000	5,742	1,742
Equipment Rental	45,150	61,248	16,098
Parking Violations	---	60	60
Franchise Fees	7,000	5,775	-1,225
Park Reservations	500	1,150	650
TOTAL MISCELLANEOUS	76,400	108,684	32,284
REIMBURSEMENTS	500	971	471
TRANSFERS IN	---	---	---
TOTAL REVENUE	\$ 492,200	\$ 541,606	\$ 49,406

VILLAGE OF SARANAC

General Fund

STATEMENT OF EXPENDITURES - COMPARED TO BUDGET

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
GENERAL GOVERNMENT			
VILLAGE COUNCIL			
Wages and Benefits	\$ 5,000	\$ 4,586	\$ 414
Insurance	3,500	3,452	48
Miscellaneous	1,500	402	1,098
TOTAL VILLAGE COUNCIL	10,000	8,440	1,560
ELECTIONS			
Wages and Benefit	750	798	-48
Materials and Supplies	500	499	1
Printing and Publishing	500	265	235
Miscellaneous	500	724	-224
TOTAL ELECTIONS	2,250	2,286	-36
CLERK/TREASURER			
Wages and Benefits	27,150	25,756	1,394
Materials and Supplies	5,000	709	4,291
Insurance	4,000	3,268	732
Miscellaneous	750	507	243
TOTAL CLERK/TREASURER	36,900	30,240	6,660
BUILDINGS AND GROUNDS			
Wages and Benefits	1,000	759	241
Materials and Supplies	5,000	4,650	350
Outside Services	1,000	752	248
Insurance	3,750	3,925	-175
Repairs and Maintenance	25,450	34,959	-9,509
Utilities	8,500	7,500	1,000
Miscellaneous	500	104	396
TOTAL BUILDINGS AND GROUNDS	45,200	52,649	-7,449
INSURANCE	500	247	253
CONTRIBUTIONS	2,000	1,855	145
LEGAL FEES	9,000	2,380	6,620
TOTAL GENERAL GOVERNMENT	\$ 105,850	\$ 98,097	\$ 7,753
PUBLIC SAFETY			
POLICE DEPARTMENT	\$ 53,500	\$ 55,930	\$ -2,430
AMBULANCE	5,980	5,980	---
FIRE DEPARTMENT	28,000	24,822	3,178

STATEMENT OF EXPENDITURES - COMPARED TO BUDGET (CONTINUED)

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
PUBLIC SAFETY (CONTINUED)			
ZONING			
Administration	\$ 4,700	\$ 2,124	\$ 2,576
Printing and Publishing	2,000	70	1,930
Miscellaneous	1,000	1,135	-135
TOTAL ZONING	7,700	3,329	4,371
TOTAL PUBLIC SAFETY	\$ 95,180	\$ 90,061	\$ 5,119
PUBLIC WORKS			
STREET LIGHTS			
Utilities	\$ 21,000	\$ 20,399	\$ 601
RUBBISH COLLECTION			
Contracted Services	53,000	51,297	1,703
TOTAL PUBLIC WORKS	\$ 74,000	\$ 71,696	\$ 2,304
PARKS AND RECREATION			
PARKS			
Wages and Benefits	\$ 21,000	\$ 24,044	\$ -3,044
Materials and Supplies	7,500	7,269	231
Outside Services	3,000	5,619	-2,619
Printing and Publishing	---	---	---
Insurance	1,200	1,037	163
Equipment Rental	---	---	---
Miscellaneous	1,000	466	534
TOTAL PARKS	33,700	38,435	-4,735
TOTAL PARKS AND RECREATION	\$ 33,700	\$ 38,435	\$ -4,735
CAPITAL OUTLAY			
BUILDINGS AND GROUNDS	\$ 30,000	\$ 7,829	\$ 22,171
FIRE DEPARTMENT	---	---	50
PARKS	10,000	---	10,000
TOTAL CAPITAL OUTLAY	\$ 40,000	\$ 7,829	\$ 32,171
TRANSFERS OUT	175,075	151,000	24,075
TRANSFERS TO OTHER GOVERNMENTS	---	---	---
TOTAL EXPENDITURES	\$ 523,805	\$ 457,118	\$ 66,687

VILLAGE OF SARANAC

Special Revenue Funds

COMBINING BALANCE SHEET

FEBRUARY 29, 2008

	MAJOR STREETS	LOCAL STREETS	FIRE	TOTAL
ASSETS				
Cash	\$ 37,750	\$ 5,694	\$ 5,581	\$ 49,025
Accounts Receivable	1,110	---	---	1,110
Due from Other Funds	22,354	16,000	---	38,354
TOTAL ASSETS	\$ 61,214	\$ 21,694	\$ 5,581	\$ 88,489
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,097	\$ 6,925	\$ 1,200	\$ 9,222
Due to Other Funds	22,069	11,804	---	33,873
TOTAL LIABILITIES	23,166	18,729	1,200	43,095
FUND BALANCES	38,048	2,965	4,381	45,394
TOTAL LIABILITIES AND FUND BALANCES	\$ 61,214	\$ 21,694	\$ 5,581	\$ 88,489

COMBINING STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED FEBRUARY 29, 2008

	MAJOR STREETS	LOCAL STREETS	FIRE	TOTAL
REVENUE				
Federal Revenue	\$ ---	\$ ---	\$ ---	\$ ---
State Revenue	71,230	22,019	---	93,249
Inter-Governmental Revenue	---	---	73,743	73,743
Interest Earned	371	84	1,272	1,727
Miscellaneous	---	---	---	---
Property Taxes	28,554	28,554	---	57,108
TOTAL REVENUE	100,155	50,657	75,015	225,827
EXPENDITURES				
Public Works	120,030	181,265	---	301,295
Public Safety	---	---	67,457	67,457
Debt Service	---	---	---	---
Capital Outlay	---	---	12,509	12,509
TOTAL EXPENDITURES	120,030	181,265	79,966	381,261
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES	-19,875	-130,608	-4,951	-155,434
TRANSFERS IN	20,000	131,000	---	151,000
FUND BALANCES - BEGINNING OF YEAR	37,923	2,573	9,332	49,828
FUND BALANCES - END OF YEAR	\$ 38,048	\$ 2,965	\$ 4,381	\$ 45,394

BALANCE SHEET

FEBRUARY 29, 2008

ASSETS

Cash	\$ 37,750
Due from Other Funds	22,354
Accounts Receivable	<u>1,110</u>

TOTAL ASSETS	<u>\$ 61,214</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,097
Due to Other Funds	<u>22,069</u>

TOTAL LIABILITIES	<u>23,166</u>
--------------------------	----------------------

FUND BALANCE

Reserved	---
Unreserved - Undesignated	<u>38,048</u>

TOTAL FUND BALANCE	<u>38,048</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 61,214</u>
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STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
REVENUE			
Federal Revenue	\$ ---	\$ ---	\$ ---
State Revenue	70,000	71,230	1,230
Property Taxes	27,000	28,554	1,554
Miscellaneous	---	---	---
Interest	75	371	296
TOTAL REVENUE	97,075	100,155	3,080
EXPENDITURES			
Street Construction	---	---	---
Routine Maintenance	85,875	66,424	19,451
Insurance	14,500	15,036	-536
Winter Maintenance	20,300	35,053	-14,753
Tree Removal	2,000	3,150	-1,150
Miscellaneous	500	367	133
Debt Service	---	---	---
TOTAL EXPENDITURES	123,175	120,030	3,145
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-26,100	-19,875	6,225
TRANSFERS IN	---	20,000	20,000
FUND BALANCE -BEGINNING OF YEAR	37,923	37,923	---
FUND BALANCE - END OF YEAR	\$ 11,823	\$ 38,048	\$ 26,225

BALANCE SHEET

FEBRUARY 29, 2008

ASSETS

Cash	\$ 5,694
Accounts Receivable	---
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	<u>16,000</u>

TOTAL ASSETS

\$ 21,694

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,925
Due to Other Funds	<u>11,804</u>
TOTAL LIABILITIES	<u>18,729</u>

FUND BALANCE

Unreserved - Undesignated	<u>2,965</u>
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TOTAL LIABILITIES AND FUND BALANCE

\$ 21,694

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
REVENUE			
Federal Revenues	\$ ---	\$ ---	\$ ---
State Revenue	21,000	22,019	1,019
Property Taxes	27,000	28,554	1,554
Interest Earned	75	84	9
Miscellaneous	---	---	---
TOTAL REVENUE	48,075	50,657	2,582
EXPENDITURES			
Street Construction	---	---	---
Routine Maintenance	194,000	145,847	48,153
Insurance	14,500	15,014	-514
Winter Maintenance	10,150	17,812	-7,662
Tree Removal	4,000	2,225	1,775
Miscellaneous	500	367	133
Debt Service	---	---	---
TOTAL EXPENDITURES	223,150	181,265	41,885
EXCESS REVENUE OVER <UNDER> EXPENDITURES	-175,075	-130,608	44,467
TRANSFERS IN	175,075	131,000	-44,075
FUND BALANCE - BEGINNING OF YEAR	2,573	2,573	---
FUND BALANCE - END OF YEAR	\$ 2,573	\$ 2,965	\$ 392

BALANCE SHEET

FEBRUARY 29, 2008

ASSETS

Cash	\$ 5,581
Accounts Receivable	---
Taxes Receivable	---
Prepaid Expenses	---
Due from Other Funds	---

TOTAL ASSETS	<u>\$ 5,581</u>
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LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,200
Due to Other Funds	---
TOTAL LIABILITIES	<u>1,200</u>

FUND BALANCE

Reserved	<u>4,381</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,581</u>
---	------------------------

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

YEAR ENDED FEBRUARY 29, 2008

	BUDGET	ACTUAL	FAVORABLE <UNFAVORABLE>
REVENUE			
Federal Revenue	\$ ---	\$ ---	\$ ---
State Revenue	---	---	---
Inter-Governmental Revenue	83,075	73,743	-9,332
Interest Earned	---	1,272	1,272
Miscellaneous	---	---	---
TOTAL REVENUE	83,075	75,015	-8,060
EXPENDITURES			
Public Safety	67,500	67,457	43
Capital Outlay	15,575	12,509	3,066
TOTAL EXPENDITURES	83,075	79,966	3,109
EXCESS REVENUE OVER <UNDER> EXPENDITURES	---	-4,951	-4,951
TRANSFERS IN	---	---	---
FUND BALANCE - BEGINNING OF YEAR	9,332	9,332	---
FUND BALANCE - END OF YEAR	\$ 9,332	\$ 4,381	\$ -4,951

BALANCE SHEET**FEBRUARY 29, 2008**

	<u>TOTAL</u>
ASSETS	
Cash	\$ 628,637
Accounts Receivable	77,441
Due from Other Funds	---
Plant and Equipment	4,232,996
Accumulated Depreciation	<u>-1,022,396</u>
TOTAL ASSETS	<u>\$ 3,916,678</u>
 LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts Payable	\$ ---
Accrued Interest	9,479
Due to Other Funds	24,405
Bonds Payable	<u>1,400,000</u>
TOTAL LIABILITIES	<u>1,433,884</u>
 FUND EQUITY	
Retained Earnings - Reserved	---
Retained Earnings - Unreserved	<u>2,482,794</u>
TOTAL FUND EQUITY	<u>2,482,794</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 3,916,678</u>

**STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

YEAR ENDED FEBRUARY 29, 2008

	<u>TOTAL</u>
OPERATING REVENUE	
Charges for Services	\$ 464,221
Connection Charges	---
Penalties and Fees	7,117
Rental	---
Recycled Materials	---
Miscellaneous	<u>145</u>
TOTAL OPERATING REVENUE	<u>471,483</u>
OPERATING EXPENSES	
Wages and Benefits	73,212
Insurance	33,014
Operating Supplies	10,427
Printing and Publishing	50
Professional Services	---
Contracted Services	24,583
Utilities	30,843
Repairs and Maintenance	3,858
Equipment Rental	10,280
Depreciation	231,183
Miscellaneous	<u>960</u>
TOTAL OPERATING EXPENSES	<u>418,410</u>
OPERATING INCOME	<u>53,073</u>
NON-OPERATING REVENUE <EXPENSES>	
Interest Revenue	28,928
Interest and Fees Expense	<u>-11,662</u>
TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>17,266</u>
NET INCOME	70,339
TRANSFER IN	---
RETAINED EARNINGS - BEGINNING OF YEAR	<u>2,412,455</u>
RETAINED EARNINGS - END OF YEAR	<u><u>\$ 2,482,794</u></u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Village Council
Village of Saranac

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Saranac, as of and for the year ended February 29, 2008, which collectively comprise the Village of Saranac's basic financial statements and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Saranac's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Saranac's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Saranac's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Saranac's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Saranac's financial statements that is more than inconsequential will not be prevented or detected by the Village of Saranac's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Financial Statements Preparation

The Village does not have procedures in place to prepare financial statements in accordance with United States generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

Budgets

As noted in the financial statements, some of the expenditure activities of the Village exceeded the amounts appropriated.

The Michigan Public Act 621 of 1978, as amended, provides that the Village adopt formal budgets for all applicable funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the Village monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Saranac's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Saranac's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management of the Village of Saranac in a separate letter dated May 30, 2008.

This report is intended for the information and use of the Village Council, management, and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.



Karl L. Drake, P.C.
Certified Public Accountant

May 30, 2008

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road

(517) 937-9333 Phone / 563-2552

Horton, Michigan 49246

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Email:

May 30, 2008

To the Village of Saranac

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Saranac for the year ended February 29, 2008, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated January 11, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Village of Saranac are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year, for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future

events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was:

Management's estimate of the depreciation is based on useful life of the assets. We evaluated the key factors and assumptions used to develop the estimate, in determining that it is reasonable, in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of long-term debt in Note 13 to the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors.

The primary discussions held this year revolved around the lack of segregation of responsibilities in the Village office. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Village of Saranac and management of Village of Saranac and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in dark ink and is positioned below the "Very truly yours," text.

Karl L. Drake, P.C.